



Fairfax County Internal Audit Office

History Commission
Treasurer Turnover Audit
Final Report

March 2006

"promoting efficient & effective local government"

Executive Summary

The Fairfax County History Commission, created in 1969, serves to advise county government and to promote public interest in all matters bearing on the history of Fairfax County. History Commission members are appointed by the Board of Supervisors and the commission receives an annual financial contribution from the county. The Internal Audit Office previously completed a Financial Processes Audit of the History Commission and issued an audit report in July 2005. The report cited a significant lack of separation of duties whereby the treasurer had responsibility over the entire financial process and was not subject to independent review. As a result of that audit, procedures over financial processes were strengthened and an audit committee was established to verify reconciliations of account balances and to review and ensure the propriety of financial transactions.

At the end of calendar year 2005 a new treasurer was elected by commission members. The History Commission's chairperson requested that the Internal Audit Office perform a Treasurer Turnover Audit to review the handling of contributions received from the county as well as transactions involving the commission's bank accounts. We reviewed accounting records, bank statements, commission minutes, and other supporting documentation and noted the following:

- Deposits of county contributions for the period of FY 2002 through FY 2006 were verified to bank statements. In addition, expenses for the period of July 1, 2005, through December 31, 2005, were reviewed and found to be adequately supported and for purposes in line with the intent of the Board of Supervisor's resolution creating the commission. Based on the records reviewed and documentation available, the commission's balances as of December 31, 2005, were \$60,475.22 and \$12,198.69 in the two business interest checking accounts.
- Time delays were noted for three of the county contributions received. One deposit was not made until eleven months after the check was issued while the other two were made approximately two to three months after the check issue date.

Scope and Objectives

This audit was requested by the chairperson of the History Commission and was conducted in accordance with generally accepted government audit standards. The audit covered the period from July 2005 to December 2005. For this period, a review of the accounting records was conducted to determine if these records were adequately supported by bank statement activity, receipts, invoices, and the commission's minutes.

In addition, a review of prior county contributions to the History Commission for the period from July 2001 to December 2005 was performed to determine the accuracy and timeliness of deposits. Contributions transacted prior to this time frame could not be readily evaluated, due to the system archiving of county financial records greater than three prior

fiscal years. Therefore, for FY 2002, we only reviewed bank account statements to verify that the contributions had been deposited.

Methodology

Our audit was limited to a review of documentation in support of posted transactions and resulting account balances. Our testing relied on the controls surrounding the processing, preparation and reporting of these transactions which therefore, were a potential limitation in this review. The impact of this circumstance on our findings was that some portion of transaction data could have been omitted from commission records and not yet have cleared the bank accounts.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the management of the department under review, the County Executive and the Board of Supervisors, and reports are available to the public.

Findings, Recommendations, and Management Response

Delays in Depositing County Contributions

The annual Fairfax County contribution to the History Commission was made through eleven disbursements during the period of July 2001 through December 2005. The disbursements for FY 2002 and FY 2003 were each made in four installments, while in FY 2004 through FY 2006 there was one payment made per year. We were able to trace all of the eleven payments to a deposit on the History Commission's bank statements.

We noted that three of the seven payments for which on-line FAMIS disbursement information was available were not deposited in a timely manner. The annual contribution for fiscal year 2004 of \$26,022.00, dated July 1, 2003, was not deposited until June 4, 2004. A contribution installment (\$6,505.50) for fiscal year 2003 was disbursed on December 26, 2002, but not deposited to the History Commission bank account until April 4, 2003. Finally, the fiscal year 2005 disbursement was issued on June 28, 2004, but not deposited until August 23, 2004.

Delaying the deposit of checks received for an excessive period of time causes interest earned to not be maximized, can distort the reporting of cash on hand and available for commission activities, and increases the opportunity for checks to be lost or stolen.

Recommendation: Contributions received by the History Commission should be deposited promptly into the commission's bank account.

Since the time that we completed our fieldwork on the prior Financial Processes Audit, the county has put into place an arrangement to electronically transfer contributed funds directly to the History Commission's bank account. The FY 2006 deposit was the first one in which this new process was in effect, with this year's contribution posting to FAMIS on July 5, 2005, and to the commission's account on July 8, 2005. This direct deposit arrangement should correct the previous delays experienced in depositing county contributions.

No additional management response is required.